

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 FEA-01 ACDA-07 CIAE-00 INR-07  
L-03 NSAE-00 NSC-05 EB-07 NRC-05 OES-06 DODE-00  
ERDA-05 /072 W

-----232258Z 106757 /66

R 231312Z DEC 76  
FM USMISSION EC BRUSSELS  
TO SECSTATE WASHDC 2676  
INFO ALL EC CAPITALS 2930  
USMISSION IAEA VIENNA  
ERDA WASHINGTON  
ERDA GERMANTOWN  
AMEMBASSY OTTAWA

C O N F I D E N T I A L EC BRUSSELS 12661

ALSO PASS US NRC WASHINGTON

E.O. 11652: GDS  
TAGS: IAEA, EEC, TECH  
SUBJECT: EURATOM/CANADIAN PROBLEM

1. ON FRINGES OF AMBASSADOR'S DINNER DECEMBER 22 FOR NRC  
CHAIRMAN ROWDEN, EUROPEANS GAVE US THEIR VERSION OF CURRENT  
NEGOTIATING IMPASSE WITH CANADIANS. THEY CONFIRM THAT  
CANADIANS STATE THEY WILL CUT OFF FLOW OF NUCLEAR MATERIALS  
AND TECHNOLOGY TO COMMUNITY AT YEAR END UNLESS, AS IS NOW  
UNLIKELY, AGREEMENT IS REACHED. IMPACT OF POSSIBLE PUBLIC  
CANADIAN STATEMENT SETTING FORTH THEIR REASONS FOR CUTOFF  
COULD ALSO HEIGHTEN US DEBATE ON ISSUES.

2. EUROPEANS SAY THERE ARE THREE REMAINING DIFFICULTIES  
IN REACHING ACCORD ON THE NEW AGREEMENT. THE FOLLOWING IS  
AS RELATED BY EC OFFICIALS TO US:

A. THE FRENCH PROBLEM - CANADAISANS REQUIRE ALL EXPORTS OF  
SENSITIVE MATERIALS TO BE UNDER IAEA VERIFICATION. FRANCE,  
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BEING A NON-NPT COUNTRY, DOES NOT ACCEPT THIS. THE FRENCH  
MAY ACCEPT THIS CONDITION EVENTUALLY, BUT ONLY A CASE-  
BY-CASE BASIS WHEN FRANCE FINDS IT NECESSARY BECAUSE OF A  
NUCLEAR TRANSACTION TO ACCEPT VIENNA SAFEGUARDS. FRANCE  
SAYS THEY HAVE NO PRESENT INTENTION OF BUYING ANY CANADIAN  
MATERIAL DIRECTLY, BUT THE PROBLEM WILL ARISE WHEN OTHER

EC COUNTRIES WISH TO TRANSFER CANADIAN-SOURCE MATERIAL TO FRANCE (E.G. FOR REPROCESSING). EUROPEANS ARE CONFIDENT THIS PROBLEM WILL BE SOLVED BY FINDING A FORMULA THAT POSTPONES THE PROBLEM UNTIL AN ACTUAL CASE ARISES.

B. CANADA WANTS A PROVISION IN THE AGREEMENT THAT WOULD PROVIDE FOR AUTOMATIC INCORPORATION OF ANY NEW DEVELOPMENTS IN THE FIELD OF INTERNATIONAL SAFEGUARDS. EUROPEANS CANNOT ACCEPT THIS SINCE (1) IT IS NOT CLEAR WHO WILL DECIDE WHEN A NEW DEVELOPMENT IS ACTUALLY A REAL ONE, AS OPPOSED TO A PROPOSAL AND (2) IT DOES NOT RECOGNIZE THE NEED FOR DIFFERENCES IN STANDARDS OF SAFEGUARDS REQUIREMENTS IN DIFFERENT PARTS OF THE WORLD.

C. LONDON SUPPLIERS GROUP GUIDELINES. WITH RESPECT TO RE-TRANSFER, CANADA INSISTS THAT ALL REPEAT ALL NUCLEAR INFORMATION, WHETHER OR NOT RELATED TO REPROCESSING OR ENRICHMENT, BE SUBJECT TO APPROVAL OF THE ORIGINAL EXPORTING COUNTRY. THEY CONSIDER THE GUIDELINES LIST TO BE THE MINIMUM ACCEPTABLE, WHEREAS MEMBER STATES CONSIDER GUIDELINES TO BE CEILING FOR BILATERAL AGREEMENT. OF WORSE CONSEQUENCE IS THE CANADIAN REQUIREMENT THAT FOR ANY SENSITIVE TECHNOLOGY TRANSFERRED, ANY SIMILAR TECHNOLOGY, EVEN IF INDEPENDENTLY DEVELOPED WITHIN THE RECEIVING COUNTRY (E.G. HEAVY WATER PRODUCTION), MUST, FOR A PERIOD OF 20 YEARS, BE CONSIDERED TO BE CANADIAN TECHNOLOGY AND THEREFORE SUBJECT TO APPROVAL PRIOR TO EXPORT. PROBLEM IS REAL ONE SINCE CANDU REACTOR MIGHT OTHERWISE BE LICENSED TO ITALY.

3. SOURCES EXPRESS ANNOYANCE WITH CANADIAN NEGOTIATING TACTICS ALLEGING THAT AGREEMENT HAD BEEN REACHED SEVERAL TIMES ONLY TO HAVE NEW INSTRUCTIONS ARRIVE FROM CONFIDENTIAL

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OTTAWA PUSHING FOR ADDITIONAL CONTROLS. THEY ALSO SAY, CONTRARY TO VERSION FROM OUR CANADIAN SOURCES, THAT WHEN COMMISSION PUT MATTER BEFORE MEMBER STATE NUCLEAR STUDY GROUP IT WAS TO OBTAIN GOVERNMENT REACTIONS AND THAT THERE HAD BEEN NO COMMISSION RECOMMENDATION FOR APPROVAL.

4. STATUS OF COMMUNITY IMPLEMENTATION OF IAEA-EURATOM VERIFICATION AGREEMENT IS ANOTHER COMPLICATION.

5. EUROPEANS ALSO POINT OUT THEY THINK CANADIANS WOULD IMPORT MORE NUCLEAR TECHNOLOGY FROM EC THAN THEY EXPORT AND RESULTS OF RECIPROCAL AGREEMENT ALONG LINES CANADIANS PROPOSE COULD HURT CANADIAN NUCLEAR DEVELOPMENT. HINTON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DEBATES, NUCLEAR ENERGY, DIPLOMATIC DISCUSSIONS, SOCIAL RECEPTIONS, TECHNOLOGICAL EXCHANGES, NUCLEAR SAFEGUARDS, FISSIONABLE MATERIALS TRANSFER  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 DEC 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976ECBRU12661  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760471-0672  
**From:** EC BRUSSELS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19761218/aaaaapag.tel  
**Line Count:** 110  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 13 AUG 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** WITHDRAWN <29 MAR 2004 by hartledg, REFER TO DOE>; WITHDRAWN <29 MAR 2004 by hartledg, REFER TO DOE>; RELEASED <13 AUG 2004 by ElyME>; APPROVED <13 AUG 2004 by ShawDG>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EURATOM/CANADIAN PROBLEM  
**TAGS:** TECH, US, IAEA, EEC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006